

R 081520Z DEC 09
FM AMEMBASSY HELSINKI
TO SECSTATE WASHDC 5315

UNCLAS HELSINKI 000464

E.O. 12958: N/A

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SUBJECT: MORE DELAYS FOR FINLAND'S NEW NUCLEAR REACTOR

REF: HELSINKI 450

¶1. SUMMARY: As the Government of Finland (GOF) deals with repeated delays in the construction of the fifth nuclear power plant, it also debates the future of nuclear power in Finland. The completion of Finland's fifth nuclear reactor has been delayed to Summer or Autumn 2012. Ministry of Employment and Economy (TEM) officials blame for the delay reactor supplier Areva's late submissions of appropriate documentation and insufficient welding techniques; those delays have reportedly resulted in cost overruns doubling the costs from EUR3 billion to EUR5.3 billion. Despite these construction problems, both the GOF and public opinion towards new nuclear plants remains steady. Nuclear energy remains an important source of carbon-free baseload energy, and the TEM will likely approve at least one of the three applications pending for Finland's sixth nuclear reactor. Parliament, as well, looks poised to approve at least one new reactor despite divisions among coalition members. As Finland struggles to meet its ambitious emission targets, nuclear energy will remain an increasingly attractive option.
END SUMMARY.

FINLAND'S FIFTH NUCLEAR REACTOR SUFFERS REPEATED PROBLEMS

¶2. The completion of Finland's fifth nuclear reactor, Olikiluoto 3 (OLK 3), has been delayed once again due to Finnish Nuclear Regulatory Agency's (STUK) fresh concerns over insufficient welding techniques by Areva - the French company supplying the reactor - and an overall back-up in the work schedule from prior delays. Areva's revised start-up date for the new nuclear plant is Summer 2012, almost 3 years beyond the original 2009 date. In a meeting with Econoff, TEM Deputy Director General for the Energy Department, Riku Huttunen, was more pessimistic, not expecting the plant to come on-line until Autumn 2012.

¶3. Huttunen emphasized that ongoing construction delays have more to do with Areva's late submission of planning documents to appropriate Finnish authorities, than with any serious flaw in the European Pressurized Reactor (EPR) model.

He downplayed press reports about tensions between Areva and Finnish utility Teollisuuden Voima Oy (TVO), noting that construction continues while the companies work out their differences. Huttunen added that the GOF believes Areva is unfairly shifting the blame to Finland. Finland went public with these concerns on November 2 when Finnish, UK and French regulators issued a joint statement questioning Areva's EPR control and instrumentation.

¶4. Delays have nearly doubled OLK 3's costs from EUR3 billion to an estimated EUR5.3 billion, and TVO and Areva (along with Areva's German partner Siemens) are in continued arbitration over who pays for the cost overruns. Areva originally claimed TVO was responsible for EUR1 billion in additional costs. On April 2009, TVO filed a counterclaim via the International Chamber of Commerce for EUR1.4 billion.

SUPPORT FOR NEW REACTORS REMAINS SIGNIFICANT

¶5. Despite the delays, Huttunen insists that both GOF and public opinion regarding nuclear reactor construction in general has not changed. A October Gallup poll showed 31% of Finns favor new nuclear reactors, down slightly from 38% in

September. Huttunen pointed out that local officials, with the backing of their constituents, still lobby to bring nuclear reactor construction - and the subsequent employment and revenue - to their municipalities.

¶6. Problems with OLK3 have not scuttled proposed plans for construction of a sixth reactor: TVO and Finnish companies Fennovoima and Fortum all have construction applications pending with TEM. Media reports state that within the next several months TEM Minister Mauri Pekkarinen likely will grant a Decision-in-Principle to at least one of the companies. On November 25, Prime Minister Vanhanen publicly stated that while his government might approve one additional plant, it would not approve three.

PARLIAMENT DIVIDED OVER NUMBER OF NEW REACTORS

¶7. Parliament, as well, looks poised to approve at least one new reactor despite divisions within the governing four-party coalition. The Centre party wants to approve only one application, while the National Coalition Party (NCP) supports granting all three. According to NCP leader and Finance Minister Jyrki Katainen, two of the new reactors would replace two of Fortum's existing plants, producing in principle only one additional reactor in Finland. The Green Party has opposed any increase in nuclear energy production, but also has stated it would not break with the coalition government over nuclear issues, as they have done in the

past.

¶8. One nuclear issue on which Parliament appears unified is the continued ban on exporting excess nuclear-generated electricity to its neighbors. Huttunen confirmed that there is little GOF support for producing excess nuclear energy and subsequent waste for the benefit of its neighbors, most notably Russia (even though the Nordic electricity market already allows this in practice at limited levels).

"NUCLEAR OPTIONS" CONSIDERED IN CLIMATE PLANS

¶9. On November 20, the Government unveiled its long-term climate and energy policy report, which it plans to present at the Copenhagen Climate Summit (REFTEL). The report examines four possible paths Finland could take to achieve an 80 percent reduction in emissions by 2050. The pathways take into account factors such as economic growth, transportation needs, energy consumption and use of nuclear power. The different scenarios range from the Eco-Efficiency model in which Finland uses 100 percent renewable energy to the Industrial Society model which relies heavily on nuclear energy (envisioning a tripling of Finland's capacity). The GOF hopes the report will generate discussion on how Finland should prepare for climate challenges, as well as create the policy conditions necessary to encourage clean technology investments. The government solicited public input regarding the pathways, and asserts that the preferred option was one of the middle-of-the-road paths that foresees nuclear power increasing slightly to one-fifth of Finland's production.

¶10. COMMENT: The GOF's current climate strategy - drafted before the current recession hit - foresees a significant reduction in GDP as Finland acts to meet its EU-mandated emissions targets. GOF officials expect that clean tech and renewable energy both will lift Finland out of the recession and help it meet its emissions targets. Maintaining status quo on nuclear energy (roughly one-fifth of energy production) could prove difficult, e.g., given that the recession has hit the paper industry hard and consequently sharply reduced Finland's biomass supplies. As Finland looks to 2020 and beyond to 2050, among the main political parties there is a broad consensus to act ambitiously. Where the consensus might breakdown, particularly during the upcoming parliamentary election campaign, is what energy configuration will best meet those goals. END COMMENT.

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